

## Message Text

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44

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

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R 010729Z JUL 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 898

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 2683

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN ECON SZ

SUBJECT: SWISS FINANCIAL AND ECONOMIC DEVELOPMENTS: WEEK OF JUNE  
22-28

1. SUMMARY: FOREIGN EXCHANGE AND GOLD MARKETS CONTINUED QUIET WITH DOLLAR SLIGHTLY STRONGER AS RESULT OF HIGHER US INTEREST RATES. SWISS NATIONAL BANK (SNB) PRESIDENT LEUTWILER SAID SWISS STILL INTERESTED IN ASSOCIATION WITH SNAKE WHICH WOULD BE IN FRANCE'S INTEREST. HE INDICATED SNB CONSIDERING TIGHTER REGULATION OF FORWARD EXCHANGE TRANSACTIONS TO HELP STEM CAPITAL INFLOW. MONEY MARKET VERY LIQUID DUE SNB END-OF-QUARTER ASSISTANCE TO COMMERCIAL BANKS; MEDIUM- AND LONG-TERM INTEREST RATES  
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MOVED LOWER. GOVERNMENT OFFICIALS RAISE ESTIMATED NUMBER

OF SHORT-TIME WORKERS.

#### FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE TRADING QUIET WITH MODERATE TURNOVER AS SPOT DOLLAR STRENGTHENED SLIGHTLY DUE INCREASE IN SHORT-TERM US INTEREST RATES; GOLD MARKET THIN. RATES AS FOLLOWS:

	6/23 (OPEN)	6/27 (CLOSE)
SPOT DOLLAR	SF 2.4930	SF 2.4990
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	- 3.1	- 3.2
3 MONTHS	- 2.6	- 2.8
6 MONTHS	- 2.5	- 2.5
GOLD	\$162.25	\$164.00

3. LEUTWILER ON SNAKE AND OTHER MATTERS: PUBLIC STATEMENTS THIS WEEK, SNB PRESIDENT FRITZ LEUTWILER SAID SWITZERLAND STILL INTERESTED IN ASSOCIATION WITH SNAKE. LEUTWILER SAID HE COULD NOT UNDERSTAND FRENCH FEARS THAT SF MIGHT PULL UP SNAKE'S CENTRAL RATE AND INDICATED SWITZERLAND COULD NOT AFFORD FURTHER APPRECIATION OF SF. PARTICIPATION OF SF WOULD CONTRIBUTE TO MONETARY STABILITY WHICH IN FRANCE'S INTEREST. HE DENIED ANY CONNECTION BETWEEN DISCUSSIONS ON ABOLITION OF NUMBERED ACCOUNTS, ON WHICH SNB HAS MADE NO RECOMMENDATIONS AS YET, AND SNAKE ASSOCIATION. LEUTWILER SAID PLANNED RE-INTRODUCTION OF BAN ON FOREIGN PURCHASES OF SWISS SECURITIES HAS BEEN DROPPED. HOWEVER, SNB CONSIDERING TIGHTER REGULATION OF FORWARD FOREIGN EXCHANGE TRANSACTIONS WHICH STILL PROVIDE OPPORTUNITY FOR FOREIGNER TO AVOID 10 PERCENT PER QUARTER NEGATIVE INTEREST ON SF ACCOUNTS. ACCORDING TO LEUTWILER, SNB FOREIGN EXCHANGE INTERVENTION FROM JANUARY 1 TO MID-JUNE TOTALED SF 4.4 BILLION (DOLLARS 1.8 BILLION) WITHOUT INFLATIONARY IMPACT; RESERVES ESSENTIALLY UNCHANGED OVER SAME PERIOD DUE FOREIGN EXCHANGE SALES FOR REQUIRED CONVERSION OF CAPITAL EXPORTS.

4. MONEY AND CAPITAL MARKETS: MONEY MARKET VERY LIQUID NEAR END OF SECOND QUARTER DUE SNB OFFER OF SF 1 BILLION UNCLASSIFIED

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IN SHORT-TERM DOLLAR SWAPS TO COMMERCIAL BANKS, IN ADDITIONAL NORMAL DISCOUNT AND LOMBARD ASSISTANCE. SNB JUNE 23 STATEMENT OF ACCOUNT LISTED SF 6 BILLION IN BANKS CLEARING ACCOUNTS WHICH IS HIGH FOR THIS TIME OF YEAR. REGULAR CALL MONEY RATE STILL 0.5 PERCENT AND DEMAND FOR OVER-END-OF-QUARTER FUNDS PRACTICALLY NIL. EFFECTIVE JULY 1, MAJOR BANKS WILL LOWER INTEREST RATES ON THEIR MEDIUM-TERM BONDS: RATE ON 3-4 YEAR BONDS WILL

BE CUT 0.5 PERCENT TO 6.25 PERCENT, 5-6 AND 7-8 YEAR  
BOND RATES REDUCED 0.25 PERCENT BRINGING THEM TO 6.75 AND  
7.25 PERCENT, RESPECTIVELY. SMALL BANKS EXPECTED TO LOWER  
THEIR RATES TO MAINTAIN TRADITIONAL 0.25 PERCENT MARGIN  
UNDER BIG BANK RATES. STOCK TRADING CONTINUED SLUGGISH  
AS S&P INDEX OF AVERAGE PRICES DROPPED SLIGHTLY FROM 181.9  
(END 1959 = 100) ON JUNE 20 TO 180.6 ON JUNE 27. MEDIAN  
YIELD ON OUTSTANDING CONFEDERATION BONDS DOWN FROM 6.56  
PERCENT LAST FRIDAY TO 6.51 PERCENT ON JUNE 27.

#### ECONOMIC

5. INDICATORS: GOVERNMENT OFFICIALS ESTIMATE NUMBER OF  
WORKERS ON SHORT TIME HAS RISEN FROM 100,000 TO APPROXIMATELY  
150,000. DESPITE HIGHER COSTS, VALUE OF CONSTRUCTION  
ACTIVITY IN FIRST QUARTER 1975 DOWN 7.0 PERCENT FROM  
FIRST QUARTER 1974 AND 16.3 PERCENT LESS THAN SAME  
PERIOD IN 1973; FIRST QUARTER EMPLOYMENT IN BUILDING  
TRADES 14.1 PERCENT BELOW 1974 AND 23.6 PERCENT UNDER  
1973. BASED ON NUMBER OF NIGHTS SPENT IN HOTELS,  
SWITZERLAND'S FOREIGN TOURISM IN WINTER SEASON (NOVEMBER-  
APRIL) DOWN 2.5 PERCENT FROM ONE YEAR EARLIER; BIGGEST  
DECLINES REGISTERED BY US (-12 PERCENT) AND UK (-16 PERCENT).  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**Review Action:** RELEASED, APPROVED  
**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 JAN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 JAN 2003 by ThomasVJ>; APPROVED <19 MAR 2004 by CollinP0>  
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EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
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**Secure:** OPEN  
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**Subject:** SWISS FINANCIAL AND ECONOMIC DEVELOPMENTS: WEEK OF JUNE 22-28  
**TAGS:** EFIN, ECON, SZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006